

Association
of TAFE Institutes

**SUBMISSION TO THE MINISTERIAL
REVIEW ON THE PROVISION OF
TECHNICAL AND FURTHER
EDUCATION IN THE MELBOURNE
METROPOLITAN REGION**

**(IN RESPONSE TO THE REVIEW
COMMITTEE'S OPTIONS PAPER)**

2 October 1997

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PREAMBLE

This submission is made by the Association of TAFE Institutes to the Ministerial Review Committee in response to the 'Options Paper' released by the Committee on 14 August 1997.

Recognising that each of our Members may address many of the issues raised by the Committee from their own perspective, we have not sought to comment on the merits or otherwise of specific Institute groupings suggested in the paper. Rather, we have chosen to adopt a more global focus in our submission, which we believe is centred on the broader matters of principle.

In our initial submission to the Review Committee, we pressed the Committee to look outside the square of government thinking so that all viable options could be considered. Regrettably, it appears that with the exception of Option A3, the Committee has confined itself to the scope of its terms of reference. We believe there are many issues which must be addressed and therefore, in this submission, we have explored options beyond those raised in the Review Committee's Options Paper.

Lacking from the whole debate to date has been an explanation of why the Government considers it necessary to 'reform' the TAFE system. If a problem has been identified, what is it and what is the magnitude of the solution, either in financial or structural terms. Only when all of the stakeholders understand the problem can they be expected to commit to working towards finding an acceptable solution.

We do not believe that the issues in the Committee's terms of reference identify the core 'problem' if there is one. Rather, they provide a focal point on what at best can be described as the symptoms of an unidentified problem.

From the outset, we would like to state that we see ourselves not as critics of reform, but as partners in reform, and the Association would welcome the opportunity to assist in the next phase of the Ministerial Review.

This submission has been prepared in five Parts. Part 1 details the Association's general observations in relation to the Options Paper, Part 2 sets out our views on each of the four issues raised by the Review Committee. Part 3 addresses additional issues not raised by the Review Committee, but which we believe are critical to the Review. Part 4 explores each of the options proposed by the Review Committee, and Part 5 sets out the Association's conclusions.

EXECUTIVE SUMMARY

THE NEED FOR A 'VISION'

It is this Association's view that a 'blueprint' or 'vision' for the vocational education and training system should be articulated by the Government so that all training providers are aware of the planned parameters and features of the System in which they operate. The Association commends the Government's commitment to continuous improvement of the State Training 'System', and in pursuit of this, we have undertaken considerable work in developing our paper '*A Vision for the Delivery of VET in Victoria*¹' which was provided to the Review Committee in July. We encourage the Committee to revisit our 'Vision' document in conjunction with this submission.

The fundamental flaw in the approach being taken to date is that the reformists are too intent on focusing the Committee on the existing structure for the sole purpose of excising its perceived weaknesses, believing that only then is TAFE capable of self regeneration into an improved restructured TAFE network with stronger more viable and competitive links to industry.

To the extent that the TAFE system is in need of further change is not due to any lack of change management or excising over the past 15 years. Rather, it is because those purporting to impose their solutions on TAFE were not focusing on the environment in which they expected the system to function.

They were intent on the vista but not the vision.

We have to ensure that this Review does not follow the same self serving route as its predecessors.

We believe that it is imperative to this Review process that those who may be called upon to decide the future direction of TAFE provision in this State apply to each of the options raised the following question:

"Does this arrangement deliver better outcomes to our customers?"

To do this, we need to identify the key criteria for improvement by asking our customers how our services can better meet their needs. Only if the answer to the above question is in the affirmative should we then move to the next stage which must be the preparation of an environmental analysis on the impact of the options on all stakeholders. The maintenance of quality program delivery to customers, the level of responsiveness to customer demands, the range of courses available, the facilitation of growth in the area of flexible delivery and the impact on student services must all be

¹ Association of TAFE Institutes, *A Vision for the Delivery of VET in Victoria*, May 1997

thoroughly explored. If the 'system' of VET provision is to be changed, then it should be changed *properly*, supported by true economic modelling, business planning and impact analyses.

The nature and needs of the system, which we have identified in our 'Vision' statement must be the driving force for change, and not an arbitrarily decided number of corporate clearing houses which has been deemed necessary to meet today's demands. The optimum number of TAFE Institutes in the system and their corporate structure must ultimately be determined by the commercial market.

THE NEED FOR TAFE

Throughout the paper we have referred to the need to preserve the 'intrinsic characteristics of TAFE' and the contribution that TAFE has made to the economic prosperity of Australia by ensuring that we have a responsive and contemporary training system.

However, there is a far greater 'characteristic' which must not be forgotten and which Australia cannot allow to be subsumed by economic rationalist theories. It is that part a publicly funded discrete TAFE sector has played in opening the doors of opportunity to countless thousands of ordinary Australians who, without TAFE, would have been captive to a menial existence shrouded in educational poverty.

TAFE has provided the life chance for whole generations of Australians, many of whom may not have completed their secondary schooling, much less aspired to a university education. NCVER statistics show that 54% of VET clients in Victoria in 1996 had not completed their secondary school education.² Yet through TAFE they have discovered their capabilities and come to know the reward of personal educational success. With access to public education, they have been able to throw off the shackles of servitude, illiteracy and ignorance, and continue to aspire to even greater heights through lifelong learning.

THE NEED FOR DUE DILIGENCE

It is inevitable that TAFE will become more commercially orientated in its decision making processes and any amalgamation must also follow this norm of business efficacy. Foremost in any restructure must be rigorous due diligence testing and analyses on the outcomes of each of the proposed options prior to a decision being reached on the structural arrangements for the TAFE system. Clearly, no merger should be undertaken by any organisation without clear identification of customer needs and the synergies that will benefit the community and the customers. It must be

² National Centre for Vocational Education Research, Australian Vocational Education and Training Statistics 1996, p20

built on a strong foundation of economic modelling, business planning and a detailed impact analyses on all stakeholders.

The Association is concerned that with large scale changes to the structural arrangements of VET in Victoria of the dimensions suggested in the Options Paper, the inherent characteristics of VET, which include its flexibility, responsiveness, its sharp industry focus and its practical nature, might be lost.

THE NEED FOR STUDENT ARTICULATION

The Association is concerned with the suggestion that student articulation can only be enhanced via large scale amalgamations between the higher education and VET sectors. Clearly this is not the case.

There is a need to ensure clear pathways, not only between TAFE and universities, but also between secondary schools and TAFE, as well as to accommodate inter TAFE and intra TAFE movements. It is our view that VET providers should continue to actively pursue co-operative alliances and partnerships with any number of players in the training market, including universities, schools, and other VET providers. Effective interfaces between the sectors can be built and maintained in this way to meet the articulation needs of each sector's clients without a wholesale restructuring of the existing arrangements.

It is notable that student articulation has been presented by the Committee as being a university problem rather than a TAFE problem. Of equal significance is that TAFE's major responsibility is the provision of vocational education and training for employment and industry, and student articulation is only a very small part of TAFE's total activities.

THE NEED FOR A WAY FORWARD

It is recognised that Victoria has the best VET system in Australia. The Association supports outcomes which cement Victoria's place as the market leader in Australian VET provision, and we support those changes to the existing TAFE system which provide better outcomes for our clients.

The Association would like to see:

- decisions on the outcome of the Review based on:
 - a critical examination of the existing TAFE arrangements to identify weaknesses and to ensure that strengths are enhanced.

- sound business planning and analyses of the consequences of any changes on industry, students, Institute staff, the Institute profile, the community and other players in the VET sector.
- the optimal utilisation of TAFE public assets
- a strong, viable VET sector characterised by a diversity of providers, each establishing and maintaining co-operative partnerships and alliances with other providers in the training market to maximise business opportunities and to ensure articulation pathways remain intact.
- a VET sector recognised and supported by Government for its crucial role in providing access to further education opportunities for many Australians, ensuring training meets the needs of industry, contributing to the nation's economic well being, and fulfilling the State's community service obligations.

Victoria's TAFE Institutes and its universities with TAFE Divisions are committed to excellence in the delivery of vocational education and training. In making this submission, we do so in the pursuit of an outcome which ensures Victoria remains the market leader in this field.

SUMMARY OF RECOMMENDATIONS

In response to the Options Paper released by the Review Committee, the Association of TAFE Institutes recommends that:

- the Review Committee clearly articulate what the Review is intended to achieve, and provide comprehensive rationale for the need for change to the existing arrangements.
- detailed research, modelling, analysis and planning must precede any decision to rationalise TAFE, and that full analyses be undertaken of the consequences the proposed options may have on all stakeholders.
- any amalgamation decision must be based on due diligence testing.
- student articulation is best met through the maintenance of co-operative alliances and a review of system procedures, and not necessarily by mergers.
- a diversity of provider models is the best means to meet a diverse market.
- the needs of TAFE clients, the quality of service provision and quality outcomes should be the driving force for change, and not fiscal or arbitrarily decided imperatives.
- the assumption that larger, amalgamated Institutes will deliver better outcomes to customers be thoroughly tested.
- adequate consideration be given to the effects amalgamations have on human resource management.
- the importance of TAFE's industry focus and its role in fulfilling the State's Community Service obligations be recognised.
- the issue of the optimal usage of public assets ought be addressed as part of the Review, albeit that a phased implementation may be adopted.
- a detailed and separate study be commenced on the appropriateness of corporatisation and privatisation of TAFE, with input from all industry stakeholders.

PART 1

THE OPTIONS PAPER - GENERAL OBSERVATIONS

It is this Association's view that a full and complete review of VET provision should be motivated by a commitment to ensure outcomes which benefit VET clients, encompassing consideration of the effects of and on public and private provider provision, ACFE provision, and VET in schools. It should also be driven to deliver an outcome which provides stability in an industry which has been subjected to significant change, not all of which can be said to have resulted in progress. Notwithstanding that the Review itself seems to focus on a solution to a problem which has not been clearly identified, we welcome the release of the Options Paper as part of a continuum of change to improve the provision of vocational education and training (VET) in Victoria. We believe that the Options Paper addresses only one component of the VET market in isolation, and for this reason fails to provide the focus necessary for a comprehensive review of vocational education and training in Victoria.

There is no doubt that the magnitude of the consequences flowing from any of the options proposed by the Committee's paper demands a more comprehensive analysis to overcome a discernible lack of analytical rigour evident in the material provided to date. This must occur before any restructure of the present structural arrangements are implemented.

The Association believes that it is incumbent upon the Government of Victoria to critically examine and debate the strengths and weakness of the existing arrangements in a comprehensive manner with the single objective being to ensure that all stakeholders in the provision of TAFE in this State can work together and have ownership of the building blocks for change.

We believe that the work of the Committee thus far would be considerably enhanced by the release of detailed rationale in support of the options proposed, and further, there must be an understanding of the big picture 'vision' for the delivery of VET in Victoria rather than concentrating on the number of outlets required to meet the immediate demand.

Contingency planning for the consequences of the options raised, including the likely effects on students, industry, Institute staff, Institute profile and the community must be undertaken as a matter of priority.

We recommend TAFE's industry focus and its role in fulfilling the State's community service obligations are not lost in the pursuit of an economically acceptable outcome.

PART 2

COMMENTS ON KEY ISSUES IDENTIFIED BY THE REVIEW COMMITTEE

The Review Committee has identified those issues seen as important to the future of the TAFE network, and in the context of those issues we have provided the comments below. However, in doing so, we maintain that these issues are not sufficiently comprehensive to address the requirements of TAFE and TAFE's clients of the future, and we have sought to carry the debate further in Part 3 of this submission.

The four key issues raised by the Review Committee are set out below:

ISSUE 1

Smaller TAFE Institutes, while performing well in a number of respects at present, will find it increasingly difficult to remain viable into the future without support.

ATI COMMENT

While this may be true for some smaller Institutes, it is equally untrue for others. The value of such generalisations must be questioned, especially where unsubstantiated and unsupported. Of greater concern is that this statement has been used as a springboard to support mergers on the scale as that proposed in the Options Paper.

Clearly there are examples where 'smaller' Institutes have established a vibrant and viable market position, so much so that they have been, and no doubt will continue to be, sought after by those organisations aggressively seeking growth of their market share.

ISSUE 2

The need to rationalise high cost training programs across metropolitan Melbourne or in programs where there are "thin markets"

ATI COMMENT

It has to also be acknowledged that market demands have diverged from earlier planning estimates, resulting in some cases to a commitment of capital investment beyond the medium to long term demand. This in turn has led to a replication and potentially an under-utilisation of facilities in some TAFE Institutes.

Whereas this may be avoided in the future through closer dialogue with our industry clients, the Association believes that any large scale rationalisation of programs has the potential to compromise the concepts of an open market and the espoused benefits of user choice.

True it is, that in some program areas, there is a strong case for rationalisation, however the principle being pursued through this paper is one which is more concerned with the rationale for change and not change itself. Clearly any outcome which has been conceived solely on the basis of economics *must* be challenged, which is not to say that after having considered all of the relevant facts, the balance is tilted toward a financially driven decision.

ISSUE 3

The increased pressure by governments to maximise the utilisation of public assets will require significant changes to capital ownership and management across the TAFE network.

ATI COMMENT

There are two significant matters contained in this issue. The first is third party access, and the second that of ultimate ownership of the facilities.

Third party access

Throughout the recent debate on the introduction of a National Competition Policy, the outcome of which has been embraced by the Victorian Government, considerable importance was placed on the issue of third party access to government facilities, yet the potential effect on Institutes of this issue does not appear to have been addressed in the committee's findings.

The Association believes if the issue of maximising the utilisation of public assets is to be addressed, then it ought be done at this juncture and not at some later time in isolation of the proposed changes.

Issues regarding the rate of return to the Institute as well as to the government when facilities are used by third parties will need to be resolved. Disputes over perceived hindrance of a third party when seeking to access the facility will need to be considered together with the determination of preference in the allocation of the resource.

Ownership of facilities

International experience shows that there is a potential for efficiencies to be gained from a re-configuration of ownership and utilisation of educational facilities. Equally, there are examples of where this approach has had the opposite effect.

The debate on the appropriateness of a corporatised or even a privatised model for TAFE has been on foot for many years in Victoria and we do not appear to be any closer to a full appreciation of the issues. If consideration is to be given to developing an argument on the basis of the Committee's findings in 'ISSUE 4', then now is the time for that to occur.

Any move away from the current ownership and utilisation arrangements could, in many cases mean radical changes to the structure of the State Training System, and consequently the number of Institutes. This should be given time to be developed and most certainly would be incapable of execution within the time frames of the current review.

ISSUE 4

Articulation and pathways between TAFE and Universities have been developed but continue to be uneven between fields of study, and within and across institutions.

ATI COMMENT

This appears to be one of the fundamental reasons driving the current push for change. As such, it is worthy of considerable comment and absolute verification before the debate moves on.

The Association strongly supports the notion of an effective interface between VET and higher education, and has long maintained that VET providers should undertake co-operative alliances and partnerships with any number of players in the training market, including universities, schools, and other VET providers (see Model of Provider Relationships in the Association's paper '*A Vision for the Delivery of VET in Victoria*'). There are many fine examples in Victoria of effective and co-operative relationships between TAFE Institutes and universities.

As such, the Association's position is one which promotes a diversity of provider models in the training market as being the best means to meet the needs of that market. Within that diversity, there is a place for the multi-sectoral institutions such as RMIT, Swinburne and VUT. However, it is important that the Review of Metropolitan TAFE Institutes does not proceed on the assumption that there ought to be a 'one hat fits all' approach.

It should also be pointed out that while pathways are important in meeting client needs, there is a view that they do not constitute TAFE's core business. TAFE's core business clearly relates to training for industry and meeting the express training requirements of industry. It is a fallacy to assume that TAFE provides some sort of 'second best' option. In actuality, very few students use TAFE as a vehicle for university entrance. The Review Committee recognises this in its Options Paper, highlighting that in 1996, only 1.6% of the total TAFE student population transferred to university.³

As we stated in our initial submission to the Review Committee, discussion of articulation between higher education and VET has traditionally focussed on students moving from TAFE to universities. In fact, data shows that the movement between sectors is concentrated in the reverse direction. Between 1990 and 1992, approximately one in five (or approximately 35,000) new TAFE students in Victoria enrolling at Associate Diploma and Advanced Certificate level had previously studied in a university, half of those as graduates.⁴ Another source estimates that in 1995, some 45,000 students with bachelor or post-graduate degrees were undertaking a TAFE vocational program, while at the same time, 20,000 students with a TAFE award enrolled in university.⁵

But an examination of the Committee's findings on this issue reveals that to the extent that they have identified a problem with existing transfer arrangements, it would appear to lie *within* the various universities and not with TAFE. The finding which states that these difficulties '*...appear to be more based on individual attitudes and preferences rather than part of any statewide/national agreed approach.*' bears this out.

This begs the question whether the issue itself is a matter for TAFE or Higher Education to remedy.

Finally, there is also the question of how far the 'benefits' of multi-sectorial provision can be extended in an open and increasingly competitive training market. For example, how will a student at one of the 700 registered private providers in Victoria benefit from the existence of multi-sector Institutes?

The answer surely lies in the approach adopted by the Australian Vice Chancellors' Committee (AVCC) to address this very issue. In addition to examining articulation arrangements between universities and TAFE Institutes, the AVCC has established a

³ Ministerial Review Committee, 'Options Paper', Ministerial Review on the Provision of TAFE in the Melbourne Metropolitan Area, August 1997

⁴ Golding, B 'Intersectional Articulation and Quality Assurance' Journal of Tertiary Education Administration, Vol 17, No 1, May 1995, p29

⁵ Maslen, G 'TAFE Given Hard Sell in Bid to Woo Students Who've Missed Out on Uni', Campus Review, Jan 15-21, 1997.

reference group to examine articulation arrangements between universities and *private providers*. The Association agrees that this is the best way to meet any articulation aspirations of students, rather than a formal amalgamation of the sectors.

PART 3

ADDITIONAL ISSUES FOR CONSIDERATION

ACCESS TO PUBLICLY PROVIDED EDUCATION

The government must recognise its responsibility to ensure adequate access and provision of education to all sectors of the community by allocating a greater proportion of public spending to education. It is an undeniable responsibility of all governments to ensure that the value of education to the state and to the nation as a whole is acknowledged, and that educational policies are not pushed down their list of economic and financial priorities. To do so would place the economic and intellectual prosperity of our state and country at risk.

There are three significant reports which support this view. The first is the recently released 'UNESCO Delors Report', entitled '*Learning: The Treasure Within*' which will be the basis of an international conference in Melbourne being presented by the Australian National Commission for UNESCO early in 1998 and organised by the Victorian Department of Education.⁶

Second, the recently released Federal Government white paper on Australia's foreign and trade policy '*In the National Interest*' also recognises that Australia's economic strength is crucially linked to factors such as a more flexible labour market and strengthening education and training systems. It further describes Australia's "*strong skills base sustained by quality educational and training institutions*" as "*an essential feature of the infrastructure of Australia and one that Australia needs to nurture and develop further*". The paper recognises that a 'whole of nation' approach is critical to enhancing Australia's international competitiveness, if Australia is to meet the challenges of globalisation and the increasingly competitive trading and investment environment.⁷ Quality education and training is a fundamental and crucial component.

Finally and of equal significance are the social threats of a de-funded education sector. A recent UNICEF report, '*The Progress of Nations 1997*' shows that of participating industrialised nations, Australia has the ninth highest level of unemployment amongst 15-24 year olds at 16%, ranking below countries such as the United Kingdom, the United States, New Zealand and Germany.⁸ The seriousness of Australia's youth unemployment problem, and its connection with youth suicide and other social crises remain of paramount importance for all Governments.

⁶ Delors, J 'Learning: the Treasure Within: Report to UNESCO of the International Commission on Education for the Twenty-first Century', Paris 1996

⁷ Federal Government White Paper, *In the National Interest: Australia's Foreign and Trade Policy*, 1997

⁸ UNICEF, *The Progress of Nations*, 1997

ECONOMIC EFFICIENCY VS CUSTOMER NEEDS

It is apparent from the Options Paper that fiscal imperatives appear to be the driving force for change, and that students, quality of service provision and outcomes are not adequately considered under the key issues raised by the Review Committee. This is clearly at odds with the State Training Board's 'Policy Guidelines for TAFE Institutes Structural Arrangements 1996' which the Review Committee has stated would be applied in its examination of alternative structural arrangements.

While the Association has in the past, criticised the subjective nature of the STB Guidelines and its reliance upon a numerical value to determine the outcomes, we do acknowledge the weighting accorded to the criterion 'maximising opportunities for customers'. The Guidelines weight customers as the **primary** driver in any evaluation of proposals for future TAFE Institute amalgamations and for this they ought be applauded.

We strongly support Minister Honeywood's comments in a letter to 'the Age' that efficiencies to the TAFE system are of secondary concern to this review.⁹ It is certainly not apparent from the Options Paper that this is the case, and we urge the Review Committee to reconsider in much greater detail the effect of the proposed options on the quality of delivery of programs to customers, the level of responsiveness to customer demands, the range of courses available, flexible delivery and the impact on student services.

IS 'BIGGER' REALLY 'BETTER'?

The Association refutes the sweeping assumption that merged Institutes will be more efficient and deliver better outcomes to customers. In our initial submission to the Review Committee, we illustrated our view with statistics and experience in other Australian and international tertiary institution mergers. To supplement this material, we would like to raise some additional points.

- In our current competitive market for VET services, 700 registered private providers in 1996 delivered 9% of government funds allocated to competitive tender. Even with additional fee-for-service work, this represents a very large number of small providers delivering comparatively small levels of VET product. This supports the argument that small providers are able to operate just as effectively as large providers and have an equally valid place in the market.
- The outcomes of experience in other States where forced amalgamations of TAFE Institutes have occurred albeit under the guise of greater efficiency, are worthy of examination. Despite, or some might say because of those amalgamations, Victoria's status as the most efficient

⁹ Honeywood, P 'TAFE Review Will Improve Services' The Age, 23 August 1997

system in Australia has not been seriously challenged. Clearly the structural arrangements including the long standing position of government to leave it to the Institute Councils to determine the issue of amalgamations, raises serious doubts about following in the footsteps of those States with significantly higher delivery cost and less flexibly responsive organisations.

- The negative effects of diseconomies of scale caused by mergers must also be contemplated. A merger may reduce the capacity of an Institute to maintain responsiveness and flexibility to customers spread over a much larger region following the rationalisation of its administration.
- The potential of a merger to divert resources away from the core business of an Institute to the management of the merger itself should also be considered.
- The Association is keen to ensure that the Review Committee, in proposing 'bigger' institutions, does not ignore the value of enterprises as they currently exist.

A Melbourne University study of local government amalgamations in Victoria, due to be published in November, has reportedly found that the amalgamations have not resulted in cost savings. Councils had spent \$98 million more in 1995/96 than in the previous year. The report has also criticised the style and speed of reform, suggesting that it had destabilised, rather than empowered Councils.

THE ASSOCIATION'S 'VISION FOR THE DELIVERY OF VET IN VICTORIA'

The Association has already provided Members of the Review Committee with a copy of our 'A *Vision for the Delivery of VET in Victoria*', which identifies some key objectives which the Association sees as critical to the efficient and equitable delivery of VET in Victoria. In summary, these are:

- an environment of agreed national industry competency standards, defining the skills and competencies required by industry in all areas of the workforce.
- uniform and universal recognition of each student's achievement (via AQF or otherwise)
- a system of self accrediting providers
- increased Institute autonomy so that providers are able to maximise their business opportunities free of direct government influence
- a training market which incorporates a diversity of models (eg stand alone TAFE, multi-sectoral, industry specialist etc)

- a minimalist regulatory regime where the government's role is restricted to the maintenance of resource funding and monitoring the quality of VET provision, including provider accreditation and maintenance of a qualifications framework.
- a stronger industry voice at the industry/provider interface.

While the Government has made positive steps in some of these areas, there are still greater efficiencies to be gained in the training market by a reduction of government regulation and an increase in Institute autonomy. It is our belief that forced amalgamations of the order suggested in the Options Paper would work against these ends.

PART 4

COMMENTS ON EACH OF THE OPTIONS

OPTION A : OPTIONS TO IMPROVE THE PRESENT STRUCTURAL ARRANGEMENTS OF THE TAFE NETWORK.

A1 & A4 THE EIGHT AND FIVE TAFE METROPOLITAN CLUSTER MODEL

The Association is concerned that no rationale or analysis has been provided to support the viability of either the eight or five cluster model and there appears to be little examination of the likely consequences arising from any amalgamations. Further, there is no consideration provided of the profile of those amalgamated Institutes or any insight into their staffing profiles, or their program profiles.

The groupings are based on rough geographical relationships based on the physical location of each Institute's central administration and ignores their other delivery sites, which in many cases appear within another grouping's catchment area. After all, a private business choosing to amalgamate with another organisation would hardly choose its closest neighbour as its partner. Rather, it looks for sound, strategic compatibilities.

There is a view that the failure of the University of New England amalgamation in New South Wales was in large part due to the disharmony resulting from the merger of four very culturally different institutions, and this should serve to caution those advocating amalgamations in TAFE where there are similar degrees of cultural incompatibility.¹⁰

The essential ingredients in the success of any rationalisation process, such as the synergy of the merging entities as measured by the nature, culture and character of their businesses, their visions, objectives, orientations, traditions, their core business and the needs of the market which the new entity is designed to serve, appear to have been ignored.

Crucial to the adoption of any option must be a period of stability following the change. For either Options A1 or A4 to be viable in the medium term, then consideration must be given to preserving the proposed geographic groupings over time. Once established, the preferred geographic catchment area must be protected in order to maintain its integrity, and the integrity of the rationale for the decision. But of course, to do so is completely contrary to the Government's thrust toward a competitive model for TAFE. Equally, the National Competition Policy proscribes the

¹⁰ Harman, G and Robertson-Cunninghame, R (eds) The UNE Network Experience: Reflections on the Amalgamated University of New England 1989 - 1993, 1995, p4, pp220-224

establishment of exclusive monopolies, and the entry of another TAFE Institute into the region, which will occur if there is a market opportunity available, would completely erode the geographic model. These issues must be addressed before the Committee makes its final recommendations to the Minister.

It is stressed that this Association does not oppose structural change or amalgamations of TAFE Institutes, provided that they occur as a natural consequence of sound business decisions made by the Institutes themselves and are of benefit to students, industry and the community. Change is continuous, and there is little doubt that amalgamations will continue to occur. Natural attrition has already seen the number of TAFE Institutes in Victoria steadily decline to the current number of 25, and in a market unhindered by bureaucratic influence, it is expected that this process would continue to evolve.

To meet the current competitive climate, the government established TAFE institutes as autonomous entities, charged with the responsibility to manage their business in a manner which maximises their business opportunities and meets the needs of their customers in a way which *they* deem most appropriate. The analysis of any benefits to their clients and the choice of amalgamation partner are all fundamental business decisions which should be left to those who understand the business the best - the institutes.

Logic dictates that comprehensive research, analysis and planning must precede any decision to rationalise TAFE. Only then can the success of any merger entered into voluntarily and co-operatively be assured.

It does not appear that the necessary analysis and planning warranted by the magnitude of the changes proposed has been undertaken by the Review Committee or the Office of Training and Further Education. This is of major concern to all TAFE Institutes.

HUMAN RESOURCE IMPLICATIONS

Reductions in the number of Institutes proposed by any of the options listed and the resulting rationalisation of programs will have obvious human resources effects which do not appear to have been fully addressed by the Review Committee.

It is the Association's view that these issues should be given priority. Whether it is the restrictive employment practices which inhibit growth or the financial incapacity of Institutes to retrench staff whose subject of expertise has become redundant, it remains a matter of serious concern to all Institutes. Between 70% to 80% of all costs are attributed to employment of staff. Unless and until

Institutes are given the necessary assistance to streamline their workforce, no amount of 'policy options' will solve the problem. These are the issues which we say ought be addressed first.

THE EFFECT ON CLIENTS

The needs and preferences of TAFE's clients must be held paramount in any rationalisation of the number of TAFE Institutes in Melbourne. It is obvious that client focus and individual client needs are at risk of compromise when Institutes have larger regions to service. A centralised administration may not be as responsive, or as attuned to needs of individual customers.

Of great concern is that the Options Paper seems to ignore the very strong relationships and partnerships which have developed between TAFE Institutes and industry. Apart from reducing the level of competition in the open market, it is doubtful that a rebadging of two or more existing Institutes will enhance those business alliances.

The rationalisation proposed by either the eight or five cluster models appears not to be about 'excellence in education' but about 'efficiencies in administration'.

The inherent and undoubtedly high quality of Victoria's TAFE training system is very much at stake.

COMPETITION POLICY

The reduction in the number of Melbourne TAFE Institutes from fourteen to five or eight may be said to run contrary to the government's philosophy of the free market and competition. This has been addressed elsewhere in this submission and most certainly ought be taken into account. Market sharing and mergers are specifically mentioned in the National Competition Policy as matters amounting to restrictive trade practices.

A2 INDUSTRY SPECIALISATION MODEL

Serious questions must be asked of this Model. Is it being suggested that the Institutes as grouped will have exclusive rights to deliver to the industry types as proposed? If this is the case, the Model is unnecessarily restrictive, dilutes user choice, and could not be seriously contemplated as an option for Melbourne's TAFE Institutes. However, if it is envisaged that Institutes will deliver courses across a range of industries including those industries beyond the listed 'specialisation', a number of questions must be answered, including the question of ownership of curriculum copyright. While the creation of Centres of Excellence has appeal, there appears to be a real

potential for limiting Institutes' activities, and their ability to reallocate resources in response to market demand.

This is not to say that an industry specialist model cannot work as one of the models in a diverse training market, especially where industry supports such an outcome. It is also suggested that other TAFE Institutes, in addition to the industry specialist, may deliver the same categories of courses to the same industry groups. The industry specialist Institute may co-operatively monitor provision and ensure quality control across the training market.

A3 RURAL ALLIANCE MODEL

The rural alliance model aligns rural institutes with metropolitan institutes and is unnecessarily restrictive. It overrides any alliances which have already developed in a free market environment between many of those Institutes. Rather than being prescriptive, Institutes ought be encouraged to continue to form alliances based on the complementary nature of each Institutes' offerings and requirements, and not on geography.

Our paper '*A Vision for the Delivery of VET in Victoria*', illustrates a model of provider relationships, which we believe is critical to the success of TAFE delivery in the future. In that model, we propose the encouragement of all Institutes to form strategic alliances and partnerships with all types of other participants in the training market (including other TAFE Institutes, private providers, universities, schools, etc.) to maximise their mutual business opportunities and to meet client needs.

OPTION B: OPTIONS TO ACHIEVE GREATER EFFICIENCIES FROM IMPROVED CORPORATE SERVICES

B1 NEW TAFE CORPORATE SERVICES COMPANY MODEL

The Association has reservations in supporting a central corporate services company approach as suggested by this option, although the principle being suggested is not dissimilar to that applied in the formation of International Training Australia. However, in the case of International Training Australia, it was a fact that some Institutes were actively encouraged by the Government to participate and this total commitment by the system ensured its success.

It would not be uncharitable to suggest that not all Institutes would see the benefit from a central corporate model, as it implies a uniformity of approach to issues which may be better handled at the individual Institute level.

In the event that Institutes identify core activities which if administered uniformly could provide economies of scale without affecting an Institute's autonomy or competitive advantage, then it may well be that a corporate model emerges. If this were to be the case, then clearly it stands a better chance of success if it is left to evolve naturally.

B2 BENCHMARK BEST PRACTICE MODEL

The Association would welcome the benchmarking of best practice throughout the entire State Training System as this would continue the excellent work already in place in many Institutes. With the use of reliable performance measures which produce valid comparative data across varying activities and contexts, and the appropriate selection of benchmarking partners, all of the stakeholders in VET would benefit.

OPTION C: OPTIONS TO IMPROVE ARTICULATION AND PATHWAYS

C1 MULTI-SECTOR MODEL

While the Association recognises that Swinburne, RMIT and VUT are models of universities combining the delivery of higher education with vocational education and training through a TAFE division, we consider that this is only one model in a market which should be characterised by a diversity of training models to cater for diverse and ever-changing needs.¹¹

However what is of underlying importance is that the very essence of VET must be preserved.

C2 ALLIANCE MODEL

The Association supports the establishment and maintenance of strategic alliances between TAFE Institutes and universities, schools, other VET providers, businesses and other participants in the training market. Many providers in Victoria have already adopted this model, with excellent results. The model recognises that the way of the future is for providers to develop such co-operative arrangements, while still continuing to present their individual corporate identity in other market spheres.

A TAFE system with strong alliances with external organisations will continue to provide growth and stability in the training market. It would also ensure that the level of service provision to clients would be enhanced and business opportunities across the sector maximised without risking the evolution of an homogenised training market.

¹¹ Refer also the Association's comments in Part 2 in response to the Review Committee's 'Issue 4' concerning articulation and pathways.

As with all business partnerships, they may be project specific and of variable duration, and it must not be assumed that because they are not permanent, they are any the less mutually beneficial.

The Association firmly believes that any option which results in the diminution of choice for customers runs counter to the notion of an open market.

OPTION D: OPTIONS TO IMPROVE CAPITAL OWNERSHIP

GENERAL

Changes emanating from any of these Options would be significant. As such, they deserve significantly more consideration and planning before any cogent decision can be made.

Recognising that there is great potential for change to occur in this area, any decisions made in Options A, B and C must be made in the context of this possibility occurring in the short to medium term.

Whereas no single option presented under this group has universal appeal, there are elements in D1, D2 and D4 which we urge the Committee to further explore.

D1 HIGHER EDUCATION FUNDING MODEL

On the surface, this model appears to hold many attractions, but before any definitive comment can be offered, the consequences arising from such a model need to be thoroughly explored, particularly the extent of any predetermined capital asset levy. Of particular concern is that the ‘weaknesses’ identified by the Committee in their analysis of this option all appear to be predicated on some perceived loss of government control and the incapacity of the Institute Council and Institute management to exercise probity and due diligence in the management of the resource.

Notwithstanding these initial reservations, this would be a model worthy of much closer examination and detailed costing. The corporatisation of TAFE Institutes, would be a logical extension of Institute autonomy and self determination.

D2 THIRD PARTY ASSET MANAGEMENT MODEL

This model proposes a tripartite structure which cannot be supported as it removes the capacity of Institutes to exercise self determination and autonomy in both their day to day and long term planning processes. Further it creates another level of bureaucracy and external control. There can be no doubt that for any business operating in an increasingly competitive marketplace to be effective and efficient, it must retain control over its management.

However, if the concept of external management of the assets is removed from this model, it too would be worthy of further consideration.

D3 PRIVATISED TAFE MODEL

The Committee's approach to this option appears to be entirely driven by the economic argument. Almost without exception, the 'strengths' articulated in the Committee's findings are only strengths because of existing inflexible government policies. To suggest that staff would benefit from '*...more flexible private sector employment arrangements...*' and '*... the introduction of a profit motive to reduce reliance on public funding...*' denies the obvious cost effective and more immediately available solution which is for the government to unburden the Institutes from the yoke of public service policy style management. It is unlikely there is an Institute CEO in the State who is not already '*motivated*' by the need to generate a '*profit*'.

Any incapacity of the Institutes to achieve the identified 'strengths' lies squarely in the myriad of government regulations and reporting controls which intrude into the autonomy of the Institutes to manage their own affairs.

What is glaringly absent from the Committee's consideration of this option, is an analysis of the underlying purpose and benefit of the public provision of education. Education is not about the incarceration of society's failures, nor is it something which should emulate the current trend of privatisation as demonstrated in private health care provision.

The benefits of access to the public provision of education by all sections of Australia's society must be put before the economic arguments. There is much to be learnt from the earlier mentioned UNESCO report: '*Learning: The Treasure Within*' which the Minister for Tertiary Education and Training has publicly supported and which, no doubt will receive much greater coverage and appreciation when it is presented in Victoria early in 1998.

The salutary message in that report ought first be learnt before we embark on such a radical change to the way vocational education and training is made available to the 496,000 Victorians who access it each year.¹²

D4 TECHNOLOGY ENHANCED DELIVERY MODEL

As with the first two options, there are elements of this option which would benefit the State's training system. The Technology Enhanced Delivery Model is capable of being applied alongside any of the Options selected but again, a full cost benefit would serve to put this option into focus.

¹² National Centre for Vocational Education Research, Australian Vocational Education and Training Statistics 1996, p8

Clearly the present system lacks the funding to develop and maintain this option at the high standards required. But there can be no doubt that this is where the future lies for TAFE and it is perhaps appropriate that it is presented as the final option in the paper because whatever model is ultimately adopted, it must be capable of sustaining the widespread use of technology in the development and delivery of TAFE provision.

PART 5

CONCLUSION: THE ISSUES, THE FINDINGS AND THE OPTIONS

GENERAL

In proposing this submission, the Association readily acknowledges and appreciates that the time constraints attached to the Committee's work may have limited its capacity to canvass a wider scope of options.

At the same time, it remains the firm view of the Association that the terms of reference would have been better served by first resolving the issue currently before the State Training Board, which is the ultimate shape and purpose of the State training system.

Without moving away from that in-principle position, we now offer the following observations on the efficacy of the Committee's findings and the extent to which the options proposed align with each of the four issues identified by the Committee as being critical to the Review.

THE ISSUES

Issue 1: Smaller TAFE Institutes, while performing well in a number of respects at present, will find it increasingly difficult to remain viable into the future without support.

Generally the findings support the issue although the focus of this particular issue is clearly financial. It draws heavily on the fact that there are economies of scale to consider but without supporting data, it is inappropriate to offer unqualified support for the assumptions drawn by the tabulated consequences.

What can be said however, is that size alone is not a persuasive argument. The capacity of any organisation to cross subsidise is not solely a function of size. Rather it has more to do with the relative mass of the recurrent and non-recurrent components of the Institute which conceivably could be more favourable in a smaller Institute which has a ratio of 70:30 recurrent to non-recurrent resource base than in a large Institute which operates on a 88:12 ratio.

Equally a counter argument could be mounted that smaller Institutes are leaner and have less inefficiencies within their structures simply because they cannot afford to do otherwise. That is not to say larger Institutes, current or proposed are carrying any excess, it is merely to illustrate the point that the findings simply should not remain unchallenged.

Issue 2: The need to rationalise high cost training programs across metropolitan Melbourne or in programs where there are “thin markets”.

In discussing this issue, the Committee concluded that there may be a risk of Institutes withdrawing from ‘thin markets’ thereby implying that to do so is not within the broader training agenda. Similarly, concern was expressed at the prospect of Institutes being unable to meet their contractual obligations.

In response to this, it must be asked why either of these possible outcomes are not simply a product of an open and competitive market at work. Surely this is exactly the sort of outcome that could reasonably be expected to occur from the thrust toward competitive tendering, user choice and competitive neutrality.

To suggest that ‘thin markets’ are best accommodated through the creation of larger Institutes, is to say that larger Institutes have a greater capacity to absorb these high cost, low return programs.

Either way, the findings do not appear to offer a solution to the stated need in the issue.

Issue 3: The increased pressure by governments to maximise the utilisation of public assets will require significant changes to capital ownership and management across the TAFE network.

This is one issue with which the Association cannot disagree. We believe that it will have to be faced and possibly forms the underlying rationale for the entire Review.

It certainly requires deeper analysis of the implications, costs and benefits of any proposed solution before any decision can be made. In the interim, we believe if Institutes were given greater licence to manage their own affairs and a period of stability in which to build their futures, the government’s desire to receive a reasonable return on its capital assets could be realised.

Issue 4: Articulation and pathways between TAFE and Universities have been developed but continue to be uneven between fields of study, and within and across institutions.

As stated elsewhere in this submission, to the extent that the matter identified is an issue, we fail to see how it is an issue for TAFE if the findings are correct.

Clearly, the difficulties identified reside with those receiving TAFE graduates and not with those Institutes from which they graduated. Certainly it is in TAFE's best interest to have the matter resolved expeditiously but we believe it is a matter for those other than TAFE to resolve.